



SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-12
February 22, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2001

www.auditor.state.mo.us

The following audit report presents our findings and recommendations for the Sixteenth Judicial Circuit, City of Kansas City Municipal Division, Jackson County, Missouri. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved.

Monthly listings of open items (liabilities) for restitution cases are not reconciled to the cash balance in the city's restitution account. At October 31, 2000, the open items listing for restitution cases indicated a balance of approximately \$93,000, while the balance in the city's restitution bank account was only \$34,650. Monthly open items listings should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient cash is available for the payment of liabilities.

The court administrator does not prepare a monthly listing of open items (liabilities) for the bond account. At April 30, 2000, the city held bonds totaling \$763,835. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust by the city are sufficient to meet liabilities.

Similar conditions were also noted in our prior report.

The police department and other city departments issue prenumbered summonses for non-traffic ordinance violations. There were approximately 113,000 summonses assigned to these departments during the three years ended April 30, 2000. Both the municipal division and the police department maintain a numerical record of summonses assigned to the police department and other departments; however, no record is kept to account for the numerical sequence of summonses issued and their ultimate disposition.

Without a proper accounting of the numerical sequence and disposition of summons forms, the police department, other city departments, and the court cannot be assured that all summons forms issued are properly submitted to the court for processing, properly voided, or not prosecuted.

A similar condition was also noted in our prior report.

The court collects fines and court costs through the violation bureau (VB), during court, and through the mail and lockboxes. The method of payment is not consistently noted on the receipt slips. In addition, there is no independent comparison of the composition of receipt slips issued to the composition of bank deposits.

(over)

YELLOW SHEET

To provide assurance all monies received have been properly deposited or transmitted, the method of payment should be accurately recorded for all monies received, and the composition of receipt slips issued should be compared to the composition of bank deposits.

The municipal division does not periodically review employee access to computerized data and computer programs. A report showing all changes to case records is not prepared.

The Court Administrator agreed with nearly all of our recommendations and indicated implementation would be accomplished by the end of calendar year 2001.

SIXTEENTH JUDICIAL CIRCUIT
 CITY OF KANSAS CITY, MISSOURI
 MUNICIPAL DIVISION

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STATISTICAL SECTION



CLAIRE C. McCASKILL
Missouri State Auditor

Presiding Judge
Sixteenth Judicial Circuit
and
Municipal Judge
Kansas City, MO 64106

We have audited certain operations of the city of Kansas City Municipal Division of the Sixteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the three fiscal years ended April 30, 2000. The objectives of this audit were to:

1. Review the internal controls established over the financial transactions of the municipal division.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.
4. Follow up on action taken by the municipal division on findings in our prior audit report.

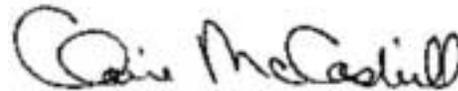
Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the municipal division.

As part of our audit, we assessed the controls of the municipal division to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Kansas City Municipal Division of the Sixteenth Judicial Circuit.



Claire McCaskill
State Auditor

November 29, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Birdno, CPA
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MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION
SUMMARY OF FINDINGS

1. Restitution (pages 7-8)

Monthly listings of open items (liabilities) for restitution cases are not reconciled to the cash balance in the city's restitution account. At October 31, 2000, the open items listing for restitution cases indicated a balance of approximately \$93,000, while the balance in the city's restitution bank account was only \$34,650. The restitution report includes cases dating back to 1989 with no provision for write off. The restitution report is not accurate nor does the municipal division appear to have the necessary procedures in place to track restitution accounts and to produce accurate records.

2. Bond Account Open Items (page 8)

The court administrator does not prepare a monthly listing of open items (liabilities) for the bond account.

3. Warrants (page 9)

The municipal division could not provide documentation that warrants issued by the court administrator were specifically authorized by a municipal judge as required.

4. General Ordinance Summonses (pages 9-10)

No record is kept to account for the numerical sequence of summonses issued and their ultimate disposition.

5. Accounting Controls (page 10)

The method of payment is not consistently noted on receipt slips and there is no independent comparison of the composition of receipt slips issued to the composition of bank deposits.

6. Traffic Tickets (pages 10-11)

Traffic tickets and summonses paid at the Violations Bureau (VB) are not signed by the Prosecuting Attorney.

7. Monthly Reports (page 11)

The municipal division does not file a monthly report of all cases heard in court with the city, as required by state law.

8. Computer Controls (pages 11-12)

The municipal division does not periodically review employee access to computerized data and computer programs. A report showing all changes to case records is not prepared.

SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Restitution

The municipal division collects restitution payments and deposits these monies in a city bank account. The city disburses restitution amounts to the appropriate parties based upon reimbursement requests prepared by the division. Restitution receipts were approximately \$109,000, \$140,000, and \$131,000 for the years ended April 30, 2000, 1999, and 1998, respectively. We noted the following concerns related to the municipal division's handling of restitution:

- A. A monthly listing of open items (liabilities) for restitution cases is generated. However, the listing is not reconciled to the cash balance in the city's restitution account and is discarded when the next month's report is generated. The restitution report for October 31, 2000 was approximately 80 pages, included 5,881 cases, and totaled approximately \$93,000. The city's restitution account balance at October 31, 2000, was approximately \$34,650 indicating a shortage of approximately \$58,350. The amount of difference between the monthly restitution reports and the cash balance is increasing. The difference between the two amounts was about \$46,000 more than a year earlier at November 30, 1999.

Nine cases totaling \$4,619 out of the 25 cases we reviewed had not been disbursed according to the restitution report, with some amounts held as long as nine years. The Court Administrator indicated some restitution cases still shown as open on the restitution report have actually been paid, although the division was unable to provide evidence of payment. The municipal division has taken no follow up action to determine which cases are effected or to make the necessary corrections.

Accurate monthly listings of open items should be prepared and reconciled to the cash balances to ensure accounting records are in balance and sufficient cash is available for the payment of liabilities. Differences between the open items and cash balances should be investigated and resolved. Unclaimed or unidentified amounts should be disposed in accordance with applicable statutory provisions.

A similar condition was also noted in our prior report.

- B. The restitution report includes cases dating back to 1989 that have amounts still due. Proper follow-up action could include writing off those accounts which are deemed to be uncollectible, after review and approval by the Municipal Judge.

- C. The restitution report lists the amount ordered to be paid by the judge, total payments received, total disbursements, amount to be disbursed, and the balance due. We noted four cases where the amount received was more than the amount ordered to be paid and there was still an amount due. As a result, the balance due on the restitution report appears to be overstated. To properly account for restitution transactions, accurate records must be maintained.

WE RECOMMEND the city of Kansas City Municipal Division:

- A. Reconcile monthly listings of open items to the cash balance and ensure proper follow-up action is taken to disburse monies to the appropriate party.
- B. Consider writing off those accounts which are deemed to be uncollectible.
- C. Ensure the restitution report listing is accurate.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur and will develop new reports and procedures to address recommendations A, B and C. We expect this to be completed by December 31, 2001.

2. Bond Account Open Items

The court administrator does not prepare a monthly listing of open items (liabilities) for the bond account. At April 30, 2000, the city held bonds totaling \$763,835. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust by the city are sufficient to meet liabilities.

A similar condition was also noted in our prior report.

WE AGAIN RECOMMEND the city of Kansas City Municipal Division prepare monthly listings of open items for the bond account and reconcile it to the cash balance.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur. The court will begin a reconciliation of the Bond Fund on a quarterly basis. This will be implemented by March 31, 2001.

3.

Warrants

The court issues bench warrants to defendants who miss their first court appearance or do not pay their fine. The warrants are issued by the court administrator. The municipal division could not provide documentation that these warrants were specifically authorized by a municipal judge as required. Supreme Court Rule 37.45 states a warrant shall be signed by the judge or by the clerk of the court when directed by the judge for a specific warrant. To ensure bench warrants are properly issued in accordance with Supreme Court rules, the municipal judges should sign warrants or provide specific written authorization for the court administrator to sign warrants.

WE RECOMMEND the city of Kansas City Municipal Division ensure warrants are signed by the judge or by the court administrator, only when directed by the judge for a specific warrant.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur and will develop a method for a judge to approve warrants. This will be implemented by March 31, 2001.

4.

General Ordinance Summonses

The police department and other city departments issue prenumbered summonses for nontraffic ordinance violations. There were approximately 113,000 summonses assigned to these departments during the three years ended April 30, 2000. Both the municipal division and police department maintain a numerical record of summonses assigned to the police department and other departments; however, no record is kept to account for the numerical sequence of summonses issued and their ultimate disposition.

Without a proper accounting of the numerical sequence and disposition of summons forms, the police department, other city departments, and the court cannot be assured that all summons forms issued are properly submitted to the court for processing, properly voided, or not prosecuted.

A similar condition was also noted in our prior report.

WE AGAIN RECOMMEND the city of Kansas City Municipal Division work with the police department and other city departments to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur and will develop a method with City Departments to account for General Ordinance Summons cases from issuance through disposition. This will be implemented by March 31, 2001.

5. Accounting Controls

The court collects fines and court costs through the violation bureau (VB), during court, and through the mail and lockboxes. The method of payment is not consistently noted on the receipt slips. In addition, there is no independent comparison of the composition of receipt slips issued to the composition of bank deposits.

To provide assurance all monies received have been properly deposited or transmitted, the method of payment should be accurately recorded for all monies received, and the composition of receipt slips issued should be compared to the composition of bank deposits.

WE RECOMMEND the city of Kansas City Municipal Division properly indicate the method of payment on the receipt slips, and reconcile total cash, checks, and money orders received to bank deposits.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur. We will change our receipt programs to require indication for type of receipt. This will be implemented by December 31, 2001.

6. Traffic Tickets

Traffic tickets and summonses paid at the VB are not signed by the Prosecuting Attorney. To ensure all tickets and summonses have been processed properly, the Prosecuting Attorney should sign all tickets and summonses indicating their disposition.

WE RECOMMEND the city of Kansas City Municipal Division require the Prosecuting Attorney to sign all applicable tickets and summonses.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

The City Prosecuting Attorney is reviewing legal requirements and will implement procedures as legal precedents indicate. We will advise the auditor's office of the prosecutor's determination and our basis for the decision. This will be resolved by March 31, 2001.

7. Monthly Reports

The municipal division does not file a monthly report of all cases heard in court with the city. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the VB, including all fines and court costs collected, to be verified by the Court Administrator or Municipal Judge and filed with the City Clerk.

This condition was also noted in our prior report.

WE AGAIN RECOMMEND the city of Kansas City Municipal Division prepare monthly reports of court actions and file these reports with the city in accordance with state law.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur. The court will develop a monthly report summarizing court activity and file it with the City Clerk. This will be implemented by December 31, 2001.

8. Computer Controls

A. Employees are given passwords to allow them to access the municipal division's computer system. The passwords provide a means to limit access to computerized data and restrict an employee's ability to enter and change data. During our review of computer controls, we noted the municipal division does not periodically review employee access to computerized data and computer programs. Since job responsibilities often change over time, and employees may transfer to different positions or resign, computer access must be reviewed periodically to ensure the access granted to employees is proper for their job responsibilities.

To ensure proper control over computerized records, employee access levels should be reviewed periodically to determine whether access is compatible with the employee's job assignments and to ensure controls established to segregate

cash handling and recording functions cannot be circumvented. In addition, changes in level of access should be documented in writing.

- B. On-line changes, such as changes to traffic ticket information and payment histories, can be made to the case records on the computer system. A report is generated of payment changes made to case records. This report shows changes made by only one of the programs used to change case records and represents a small percentage of the total number of changes. A report showing all changes to case records is not prepared. As a result, it is not always possible to determine whether a change was made, date of the change, purpose, or which employee made the change. Failure to review changes on a periodic basis could allow unauthorized changes to case files to go undetected. A report of all changes should be generated and a supervisory review of the changes should be made and documented.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Kansas City Municipal Division:

- A. Periodically review employee access to computer systems.
- B. Generate reports of all on-line changes to case records. These changes should be reviewed for propriety by supervisory personnel and the review should be adequately documented.

AUDITEE'S RESPONSE

The Court Administrator provided the following responses:

- A. *We concur. We will begin a supervisory review of employee computer access on six-month intervals, and will make necessary changes when employees change sections. This will be implemented by March 31, 2001.*
- B. *We disagree. It would not be practical to generate and review a report of all on-line changes to case records. However we will review our audit procedures and initiate changes to our internal controls. That will assure greater control over case record changes.*

This report is intended for the information of the management of the city of Kansas City Municipal Division of the Sixteenth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of Kansas City Municipal Division of the Sixteenth Judicial Circuit on the findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended April 30, 1994. The prior recommendations which have not been implemented are repeated in the current MAR.

1. Bond Procedures and Controls

A periodic listing of open items (liabilities) was not prepared by the municipal division.

Recommendation:

The city of Kansas City Municipal Division prepare periodic listings of open items and reconcile to the cash balance in the bond account. Differences between the listings and the cash balance should be investigated.

Status:

Not implemented. See MAR No. 2.

2. Restitutions

A monthly listing of open items (liabilities) was not prepared by the municipal division and reconciled to the restitution account. In addition, the restitution balance shown in the municipal division's records did not agree to the city's restitution balance.

Recommendation:

The city of Kansas City Municipal Division prepare periodic listings of open items for restitution cases and reconcile to the cash balance held in trust by the city.

Status:

Partially implemented. While the court is now reconciling the restitution balance shown in the municipal division's records to the city's records, the open items listing, which is being generated every month, is not being retained or compared to the division's cash records. See MAR No. 1.

3. General Ordinance Summonses

The municipal division maintained a numerical record of summonses assigned to the police department and other departments; however, no record was kept of summonses issued and their ultimate disposition.

Recommendation:

The city of Kansas City Municipal Division work with the police department and other city departments to ensure records are maintained to account for the numerical sequence and ultimate disposition of each summons.

Status:

Not implemented. See MAR No. 4.

4. Computer Controls

A. Employees were given passwords to allow them to access the municipal division's computer system. The municipal division did not periodically review employee access to computerized data and computer programs. In addition, changes in the level of access were not documented in writing.

B. On-line changes, such as changes to traffic ticket information and payment histories, could be made to the case records on the computer system. A report was generated of payment changes made to case records. However, a report showing all changes to case records was not prepared.

Recommendation:

The city of Kansas City Municipal Division:

A. Periodically review employee access to computer systems and document in writing any changes in the level of access.

B. Generate reports of all on-line changes to case records. These changes should be reviewed for propriety by supervisory personnel and the review should be adequately documented.

Status:

A. Partially implemented. The personnel files contain a document in writing which indicates from the supervisor the level of access provided to the employee. However, there is no periodic review of employee access to computer systems. See MAR No. 8.

B. Not implemented. See MAR No. 8.

5. Deferred Payments

The municipal division allowed defendants who could not pay their fine and court costs to serve time in the city jail in lieu of payment. When this occurred, a notation was made in the defendants' case file and the case was closed. The amount, however, was not removed from the court's listing of deferred payments. As a result, the total of the deferred payment listing was overstated. In addition, the municipal division did not have an accurate record of the total amount owed to the division.

Recommendation:

The city of Kansas City Municipal Division update the deferred payment listing to reflect amounts paid through serving time at the city jail.

Status:

Implemented.

6. Monthly Reports

The municipal division did not file with the city a monthly report of all cases heard in court.

Recommendation:

The city of Kansas City Municipal Division prepare monthly reports of court actions and file these with the city in accordance with state law.

Status:

Not implemented. See MAR No. 7.

7. Records of Convictions on Traffic Offenses

The municipal division submitted a weekly report of conviction on traffic offenses to the Missouri State Highway Patrol (MSHP) so points could be assessed against the defendants' drivers licenses. Due to a computer malfunction, these reports were not prepared or submitted to MSHP from April through July 1993. As a result, points were never assessed against the drivers licenses of defendants convicted during that time period.

Recommendation:

The city of Kansas City Municipal Division review its records to determine if it is possible to submit the required records of convictions on traffic offenses from April through July 1993, and, in the future, submit all required records in compliance with state law.

Status:

Partially implemented. While the municipal division did not submit the April through July 1993 records to the Missouri State Highway Patrol, no such omission have since occurred.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Kansas City Municipal Division is one of sixteen municipal divisions within the Sixteenth Judicial Circuit, which consists of Jackson County. The Honorable Edith Messina serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo 1994 and RSMo Cumulative Supp. 1999, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Organization

The city of Kansas City Municipal Division includes ten municipal judges. Nine of the judges hear cases on a full-time basis which include traffic violations and general ordinance violations. One judge is assigned to the Housing Court and hears cases on a part-time basis which arise under ordinances concerning residential and nonresidential property.

The municipal judges are appointed by the City Council from candidates selected by a bipartisan judicial commission. Each judge is initially appointed to a four-year term and is retained in office every four years on a “yes” or “no” public vote by the registered voters of the city. Each year the judges “En Banc” select one of their members to serve as presiding judge.

The Court Administrator is responsible for the general record-keeping and accounting functions of the municipal division. Fines, court costs, bonds and restitution are deposited directly to the city treasury daily. Court is held every week-day by each judge, except for the Housing Court which is held each Friday. A VB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge, Division 201	Michael R. McAdam
Municipal Judge, Division 202	Charles J. DeFeo, Jr.
Municipal Judge, Division 203	James F. Karl
Municipal Judge, Division 204	John B. Williams
Municipal Judge, Division 205	Marcia K. Walsh
Municipal Judge, Division 206	James M. Reed
Municipal Judge, Division 207	Victor M. Rocha

Municipal Judge, Division 208
Municipal Judge, Division 209, Housing Court
Municipal Judge, Division 210
Court Administrator

Deborah A. Neal
A. Wayne Cagle, Jr.
Leonard S. Hughes III
Bernard E. Schneider

As of April 30, 2000, the division employed approximately 85 individuals.

Financial and Caseload Information

	<u>Year Ended April 30</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Receipts	\$17,949,319	17,004,399	16,051,101
Number of tickets issued:			
Traffic	283,285	257,775	248,291
General	<u>29,875</u>	<u>32,855</u>	<u>30,309</u>
Total	\$ <u>313,160</u>	<u>290,630</u>	<u>278,600</u>

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